AnandRathi
Private Client Group
Equity

FINANCIAL FLASH

May 2021

Index

PCG Communique

The month of April was completely disseminated by the wild move in the Nifty & Banknifty Stocks. Volatility was very high with most of the frontline stock were making top and bottom during the month. Nifty ended with a negative return of (-1.44%) whereas Nifty MIDCAP was positive by 2.48% for the month. As per the data available, there are more than 200 stocks that have made fresh 52-week highs in the last week of April despite FII's buying has come to a halt and FII's were net sellers to a tune of 12k CR in April. Markets are quite nervous over the rising coronavirus cases which are crossing the 4 lakh mark and states are going with the extended lockdown.

The situation is very grim as no one expected the 2nd wave of the Corona Virus will touch to 4 lakhs plus cases per day. There is a dearth of oxygen in hospitals, beds are not available and people are dying because of the non-availability of oxygen in the hospitals. Govt along with the corporates are taking every possible step to ensure the oxygen supply reaches hospitals uninterruptedly. Companies ranging from steelmakers to refiners to logistics firms are extending a helping hand by retooling their processes to produce oxygen for human life in the country. The Government granted the emergency license for vaccines that have received authorization in the US, the UK, Europe, Japan, or from the World Health Organization (WHO). The latest government decision to vaccinate everyone above the age of 18 is strategically positive for the markets as it reduces the possibility of further strict lockdowns across the country. Currently, 30-35 lakh doses are given daily. If the momentum continues, India would be able to vaccinate 40% of its population by December 2021 and 60% of the population by May 2022. But the availability of vaccines may scuttle the pace. To vaccinate three in five Indians, which the World Health Organization estimates will be needed to reach herd immunity, the country needs 145 crore doses of vaccine by May 2022. India currently can manufacture 100 crore-130 crore doses per year, as per a Rajya Sabha committee report.

Coming to markets, the real fear for the markets can be the rising bond yield owing to the expectation of a rate hike by the US Fed. Recently, the markets were spooked by the rising bond yields. Usually, the equity markets should easily navigate the rising bond yield given the prospects of higher economic growth. However, if the yields are rising on concerns of the monetary policy being tightened, the equity markets may see a sharp correction. Investors will be keenly watching what happens to the inflation levels and how the global markets perform. That said, there are visible signs of economic growth prospects and the US Federal is unlikely to raise interest rates in this years at least. Emerging markets should, in such a case, expect to outperform the developed world. Investors should not be surprised if emerging markets deliver higher double-digit returns in 2021.

Commodity inflation to impact 4QFY21 profitability for autos: The commodity prices over the past six months are up sharply - aluminum (+26%), copper (+32%), crude (+55%), steel (+55%). Auto companies highlighted that the impact on margins will be 300-400bps. Most OEMs are highlighting similar views, with margin impact varying between 200-400bps due to the above. While OEMs will benefit from improved operating leverage as volumes normalize over FY22-23E, the extent of margin improvement will be contained. The commodity prices may remain firm with crude oil expected to recover owing to improving demand conditions even as copper, now considered as the new oil, continues to shine. Steel prices are expected to be firm, leading to optimism in the metal sector.

With a faster-than-expected demand for metals globally, base metal prices have continued to inch upwards. This certainly has been a blessing in disguise for many steelmakers who charged up to fresh multi-year highs. It is expected that this momentum may continue as long as base metal prices continue their upward journey and the government's infrastructure push will also provide the necessary boost to the metal sector.

Corrections are a good time to adjust asset allocation and currently, cyclical stocks and defensives like IT and pharmaceutical look as strong bets to outperform indices in the coming quarters. On the technology front, IT players are key beneficiaries of future innovations and new-age digital and cloud-based solutions; hence, the continued deal momentum in this space will aid the top-line in the IT sector.

With economic recovery on cards, ample liquidity available and vaccination expected to be in full swing, the risk factor for the markets is that too much good news may push the stock prices to unsustainable valuations in certain sectors. However, we are not there yet, and clearly, there is more upside left to the markets.

Globally, the equity market rally is expected to continue in 2021, supported by economic recovery, earnings, inflows, and relatively lower volatility when compared to 2020. The Indian markets are expected to benefit from global recovery as exports may improve significantly. Indian Market is taking clues from the positive Global as well as weak local news. Hence some amount of volatility is bound to be there because of the nervousness in the street and we believe the market will be oscillating within the range of 14000 to 15000 (Nifty) technically. The market will not be falling below the curve as vaccination is available but the speed of vaccination has to get increased.

Results of most of the Nifty companies have come where most of the companies have shown growth in their earnings. GST collection was at an all-time high of 1.41 lakhs CR. But the GST revenue might shrink slightly in the coming month due to lockdown by most of the states. In India, the vaccination drive is expected to gather pace. There is ample liquidity and the fiscal policy has been expansionary, which is expected to support economic growth going ahead. The recovery and the speed of economic recovery will ensure that there will a spurt in demand. The rural markets have shown resilience so far.
According to several estimates, the global economy is expected to grow by 5.8 percent, the US economy by 5.5 percent, China by 9.2 percent, emerging markets as a group by 7.3 percent. While most of the Global brokerages has cut their GDP growth forecast for the FY22 by 50-100 bps for India due to rising cases and lockdowns and expect the GDP to grow by 10% - 12% in FY22

The situation looking grim but we are at the darkest hour of the night and the morning is nearby. The fears are high on the streets and these are times when investors rather than becoming vary of the current environment should identify companies and good franchises for buying in their portfolio and hold for the long term. We feel investors should maintain the 'bottom-up' approach and use intermediate corrective phases to accumulate quality stocks with medium to the long-term investment horizon.

Keep looking at opportunities in the consumer discretionary space, Chemical companies, Pharma & IT looks promising. Banks have corrected and can be looked at as an opportunity to enter for the long term.

From the Desk of the PCG Head
Rajesh Kumar Jain

Market Commentary

Markets ended negative in April as Benchmark indices, S&P BSE Sensex, and Nifty50 both decreased by 1.50% & 0.40% respectively, to settle at 48782.36 and 14631.1, respectively, at the end of April.

Markets started the month on a negative note as traders remained on the sidelines amid rising coronavirus cases in the country. ICRA Ratings' report that an unabated increase in the COVID cases is likely to bring about fears of harsher lockdowns, which could impact the asset quality of retail loans especially for unsecured loans such as in the microfinance sector. Rating agency Ind-Ra stating that a further surge in global commodity prices will have serious implications for India's economy which is still struggling to come out of the Covid-19 impact.

Indian equity benchmarks ended the holiday-shortened second week on a disappointing note with markets ending with a weekly loss of one and a half percent as fears over surging Covid cases spooked sentiments. Markets started the week on a very pessimistic note and crumbled around three and a half percent on a single day as fears of lockdown and additional curbs also spooked investors' sentiments.

Indian equity benchmarks ended the third week also on a disappointing note as traders remained worried over continues rising coronavirus cases in the country. Sentiments also remain dampened after the Shopping Centres Association of India (SCAI) said that businesses have been severely impacted, with the revenue falling by almost 50 percent due to localized lockdowns to prevent the spread of COVID-19 in the country.

Indian equity benchmarks ended the last week of April with significant gains. Markets started the week on an optimistic note as investors reacted optimistically to positive earnings updates and the US announcement that it would remove bottlenecks in the export of raw materials essential for the production of vaccines in India. Traders also took some support with Union Minister Nitin Gadkari's statement that the pandemic has caused a slowdown in India but the country's inherent resilience and capability will help it transform into a new India with a faster growth path fuelled by infrastructure.

In terms of economic performances, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) for April was at 55.5, little changed from March's reading of 55.4 and indicating a solid improvement in the health of the sector. Consumer goods were the strongest-performing category, followed by capital goods and then intermediate goods.

The IHS Markit India Services PMI moved to 54.6 in March falling from 55.3 in February, indicating growth for the sixth consecutive month. The combined Index of Eight Core Industries stood at 143.1 in March 2021, which increased by 6.8% as compared to the Index of March 2020. Its cumulative growth during April to March 2020-21 has been (-) 7.0%. Natural Gas, Steel, Cement & Electricity recorded growth whereas Coal, Crude Oil & Refinery Products recorded negative growth.
India's retail inflation, measured by CPI was up at 5.52% in March higher than 5.03% in February, mainly due to a rise in fuel and food prices. The inflation figure in March is near the upper tolerance level of the RBI's inflation target (2% to 6%). India's wholesale price

index (WPI) based inflation increased to an eight-year high of 7.39% in March from 4.17% in February.

Regarding export-import activity, India's exports grew by 197% year over year at $30.21 billion in April on a low base while imports increased by 165.99% year over year to $45.45 billion on a low base. The Goods and Services Tax (GST) collection in April recorded an all-time high at Rs. 1,41,384 crore

Also, India's foreign exchange reserves increased by $1.70 billion to $584.10 billion in the week ended April 23, foreign currency assets (FCAs), a key component of the overall reserves increased by $1.06 billion. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 8,836 crores in April, driven by strong net outflows inequity of Rs.9,659 crore.

On the global front, The U.S. markets ended higher during the passing week after the preliminary data released by the Commerce Department showed an acceleration in the pace of U.S. economic growth in the first three months of 2021. The report said real gross domestic product surged up by 6.4 percent in the first quarter after jumping by 4.3 percent in the fourth quarter of 2020.

In the labor market, first-time claims for U.S. unemployment benefits dropped to a new pandemic-era low in the week ended April 24th, according to a report released by the Labor Department. The report said initial jobless claims dipped to 553,000, a decrease of 13,000 from the previous week's revised level of 566,000. The street had expected jobless claims to inch up to 549,000 from the 547,000 originally reported for the previous week. Jobless claims fell for the third straight week, once again sliding to their lowest level since hitting 256,000 in the week ended March 14, 2020.

Meanwhile, the economic activity in the US manufacturing sector Decreased in April as per Institute for Supply Management (ISM) report, manufacturing PMI stood at 60.7 in April, from 64.7 in March.

In Eurozone, manufacturing sector growth was up strongly in April. IHS Markit’s Manufacturing PMI rose to 62.9 in April, its highest ever recorded level from 62.5 in March. As per the report of the global data firm, “Eurozone manufacturing is booming, with a new PMI record set for a second month running in April. The past two months have seen output and order books both improve at rates unsurpassed since the survey began in 1997, with surging demand boosted by economies opening up from COVID-19 lockdowns and brightening prospects for the year ahead.“

The final au Jibun Bank Flash Manufacturing PMI stood at 53.6 in April compared to 52.7 in March. This indicated the strongest improvement in the health of the sector since April 2018, which reflects a steady recovery from COVID-19 related disruption, au Jibun Bank said.

Regarding China, the National Bureau of Statistics reported that the official manufacturing PMI for April came in at 51.1, down from 51.9 in March. The country’s non-manufacturing PMI, which gauges sentiment in the services and construction sectors, drooped to 54.9 in April from 56.3 in March.

Going Ahead

Global market sentiments reflect optimism, given the strong quarterly results and success in several COVID-19 vaccine distribution & vaccination. Besides, citing progress on Covid vaccinations and strong policy support, the Federal Reserve upgraded its assessment of the U.S. economy but maintained its ultra-easy monetary policy as widely expected. A statement from the Fed noted indicators of economic activity and employment have strengthened, which reflects a modest upgrade from last month when the central bank said the indicators have turned up recently.

Back home, the quarterly results and GST revenue numbers have been positive, however, the second wave of Covid-19 has overwhelmed hospitals and health care infrastructure. Many state governments have imposed lockdown and have diverted industrial resources for use in medical care.

There are numerous reasons to expect an acceleration of investment rate in India. First, the outlay for public investment has been increased significantly in the current budget. Second, budgetary support to public sector units for undertaking investment has also been increased. Third, through schemes such as production-linked incentive schemes the government has extended support to the corporate sector for setting up a new capacity in specific areas. Fourth, the government has rolled out various measures to attract foreign funding of investment in India. Fifth, the government is also setting up a development finance institution that would fund infra investment in a big way.

We expect India's investment rate to increase from the current 24% of the GDP to over 30% i.e., about $900 billion in the near term. The multiplier effect of investment would further boost and sustain India's GDP and corporate earnings growth. The multiplier effect is likely to be more pronounced because a major part of this investment would go to the infrastructure sector which has more forward and backward linkages. As has been highlighted by the Union budget, apart from roads, the government is focusing on other infrastructure areas including water, railways, energy, and natural gas. Because of the above, we continue to advise our clients to invest in Indian equities over longer periods and not to get unsettled by the short-term movements.

As markets continue to tread in volatility, we advise investors to remain invested in healthy growth and value-oriented companies with quality management to create long-term sustainable wealth.

Equity Outlook

Global Indices rallied during the month except for India and Japan. The sustained strong pace of vaccination, lifting of restrictions & re-opening, renewed economic recovery, and better than anticipated Q1 results in major global economies particularly in the US and Europe buoyed investor sentiments. Indian Equity Markets (Nifty 50 Index) fell 0.4% as the country continues to struggle with rising COVID cases & fatality, shortage of vaccines & medical supplies, and strict lockdowns. Concerns around an expected delay in economic recovery contributed to market worries. On the global front, European markets performed well due to sustained recovery in the industrial sector. With many countries past the 2nd and 3rd wave of COVID-19 infection and the subsequent lift in restrictions and lockdowns, European markets are benefitting from the demand boom. In the US too, economic recovery seems underway with the majority of companies have reported better than expected Q1 earnings so far, pick up in the industrial and services sector, successful and swift vaccination rollouts. The FOMC i.e. Federal Open Market Committee, in its meeting held during the month, kept policy rates and pace of asset purchases unchanged. However, it also acknowledged an uptick in economic activity and re-iterated the continuity of its current stance till employment and inflation numbers improve further. Japan underperformed due to lackluster economic activity.

Indian Markets fell on concerns of a steep rise in COVID-19 cases across states, lack of medical infrastructure and vaccines, and prospects of delayed economic recovery. India reported 19.2 Mn. confirmed COVID cases with active caseload at 3.3 Mn. as of April 30, 2021. The key triggers for Indian markets going forward can be

1) Any policy measures – fiscal/monetary as core inflation and COVID continue to rise.
2) The pace and quality of vaccination drives.
3) Further lockdowns in certain parts restrict ing mobility and economic activities
4) Pace of implementation of Govt. reforms measures mentioned in the budget to revive the economy.

On the macro front, March CPI inflation rose to 5.5% from 5.0% in February. March IIP rose 6.8% in March against -3.9% in February. GST collections in April came in at Rs. 1.41 Tn. In sectoral trends, Metals, Healthcare, etc. were key contributors, while sectors like Consumer Discretionary, Auto, and Realty were key laggards.

We believe, economic recovery though delayed continues to remain on track as the Govt. and RBI is taking active measures to spur growth through structural reforms. With developed economies reporting a strong set of activity numbers, demand recovery is expected which may benefit Indian exports. The current macro-economic scenario is much more conducive for a Business Cycle Recovery as we are at the bottom of the economic cycle and sentiments to are not euphoric. We continue to remain positive on sectors that are closely linked to the economy like Banks, Capital Goods, Infrastructure, Metals & Mining, etc. We believe Indian markets may recover and the following triggers play out - US acknowledging inflation & in conclusion pausing stimulus and US Treasury Yields reaching 2%.

Focused Equity Mutual Funds and Returns				
Large Cap	**1 Years**	**3 Years**	**5 Years**	**Since Inception**
Axis Bluechip Fund Gr	42.57	14.70	15.95	12.88
Mirae Asset Large Cap Fund	52.77	11.95	15.72	15.54
Canara Rebeco Bluechip Fund	50.13	15.45	16.22	12.60
Franklin India Bluechip Fund	62.37	10.03	11.40	16.53
Large & Midcap				
Kotak Equity Opportunities Fund	57.66	12.73	15.84	18.40
Flexi Cap				
Canara Robeco Flexi Cap Fund	51.07	14.07	16.44	18.07
HDFC Flexi Cap Fund	58.06	8.94	13.30	18.10
Midcap Fund				
Kotak Emerging Fund	78.19	12.24	17.22	13.35
DSP Midcap Reg Gr	56.05	10.13	16.46	15.22
Focused Fund				
SBI Focused Equity Fund	49.78	11.54	15.09	19.38

Source: Anand Rathi Internal Research. *Note: Such representations are not indicative of future returns.*

Debt Outlook

Gilts prices ended higher with the yield of the 10-year benchmark 5.85% 2030 paper settling at 6.03% on April 30, compared with 6.18% on March 31. In its first monetary policy review for the financial year 2021-22, RBI kept the key lending rates unchanged amid a surge in COVID- 19 cases across the country. The central bank's decision was on expected lines. Post-RBI policy benchmark 10-year G-Sec yields dropped 11 basis points from an intra-day high of 6.19 % to 6.08% and are currently inching towards the 6% mark.

Over the long term, there is a conscious effort from the RBI for the yield curve to gradually lose its steepness. This can be inferred from the fact that the RBI has extended its Variable Rate Reverse Repo (VRRR) operations to longer tenures and made the quantum of VRRR flexible based on evolving market conditions. This is aimed at removing surplus liquidity from the banking system and normalizing short-term money market rates. At the same time, the newly announced G-Sec Acquisition Program (GSAP 1.0) worth Rs 1 lakh crore is expected to ensure the increase in interest rates is not transmitted towards the longer end of the yield curve. RBI's guidance may foster an orderly normalization and smoother transition between the shorter and longer end of the yield curve, albeit it may bring along bond market volatility.

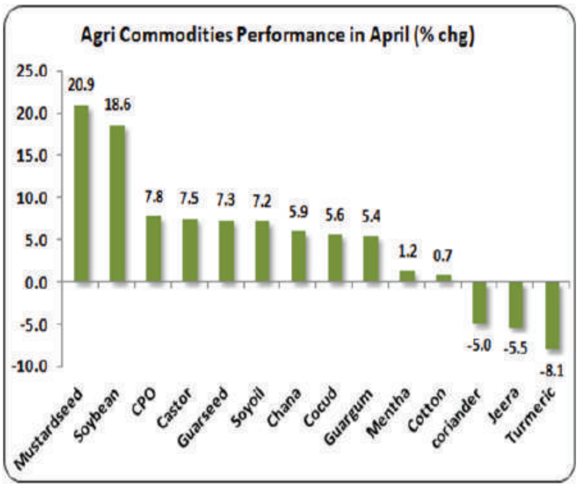
The above evolving conditions point towards a more nimble and active duration management strategy which may help in navigating a higher interest rate sensitive period. Also, as communicated earlier, we believe that we are at the fag end of the interest rate cycle and the above-mentioned strategy would provide better accrual (an active strategy that may take advantage of higher term premium) and would help in mitigating mark-to-market impact (active strategy of having adequate short-duration instruments). It may be an opportune time to invest in floating-rate bonds in this interest rate scenario with expected volatility.

In the coming years, we recommend the following strategies: Accrual Strategy and Active Duration strategy. Accrual strategy due to high spread premium which is still prevalent between the spread assets and AAA & MMI instruments, as going forward capital appreciation strategy may take a back seat due to limited rate cuts. Term premiums (spread between longer and shorter end of the yield curve) remain one of the highest seen historically, because of which active duration strategy is recommended to benefit from the high term premium.

Commodities Outlook

The upswing to continue in Agri commodities due to supply shortage, monsoon developments eyed

After remaining stable in March, Agri commodities once again saw huge volatility in April with the leading oilseeds and edible oils making a new record. Mustardseed and soybean led the gainer's list with whopping 21% and 18.6% gains respectively due to supply tightness. On the other hand spice complex declined sharply due to arrival pressure and subdued demand.



Guar, the only complex that remained sidelined in Q1 2021, has come into focus in April. The so-called export-driven commodity has underperformed mainly because of poor exports of guar products in the year 2020-21 amidst the covid-led demand destruction from the oil well drilling sector of the US and other industrial sectors as well. Nevertheless, in April, the complex has managed to move out from its long consolidation zone. Export hopes and lower sowing expectations for the new season may keep the downside limited while there is huge scope for an upside if the export demand picks up pace.

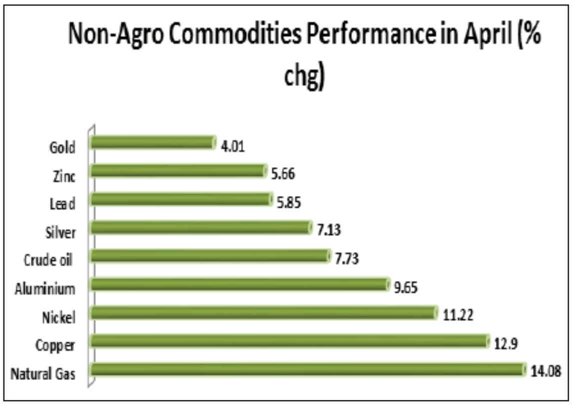
The month of May is generally a period of wait and watch situation particularly for the Kharif grown commodities including Guar, soybean, cotton, turmeric, etc. The reason being the Southwest monsoon is about to make its onset in June and the weather developments are closely monitored and updated by the weather department. For soybean particularly, sowing is going to be exceptionally higher this season due to favorable returns earned by the farmers. However, the consistent upswing in the global markets due to the supply shortage of oilseeds and unfavorable weather will limit the downside in the domestic markets as well.

Mustardseed could turn out to be the top picks of May followed by chana. Arrival pressure in both the rabi grown commodities may start fading. For chana supply side is not so strong due to a sharp fall in production and mustard seed crushing is robust due to good demand for premium quality oil which is now at par with other edible oils. The industry expert expects 40 lakh tonnes crushing during the March-June period which is significant. In the spice complex too, we may see arrival pressure fading gradually by the end of May and thus prices should bottom out in May.

Pre-monsoon development needs to be watched closely in May as the same will decide the onset and advancement of Southwest monsoon. The first Long Range forecast hints normal monsoon in 2021, and if the same materializes, India may reap a bumper Kharif crop in the upcoming season.

Non-Agro Commodities had the best month in 2021.

Non-agro commodities as seen in the chart had performed fantastically in April. All segments of precious metals, energy, and industrial metals experienced an upswing. The major reason was the US dollar index which slipped by more than 2% in April. The yellow metal which faltered for the first three months of 2021, witnessed a short covering. Although gold rose by 4% in April, on year on year basis still down by 6.81%. India's gold imports in March surged 471% from a year earlier to a record 160 tonnes, as a reduction in import taxes and a correction in prices from record highs drew retail buyers and jewelers. But fresh curbs due to a sharp rise in the second wave of Covid-19 in India may hurt the sentiment. But silver continued to appreciate as demand for industrial usage grew amid optimism surrounding sustainable/reusable energy equipment.



The psychologically important $1,800 level seems unreachable for gold for the time being despite all the positive drivers surrounding the precious metal at the moment. In terms of economic data, ISM manufacturing is very important to look at. Payroll numbers are quite important. Generally speaking, any surprise to the upside will get inflation expectations higher. That could drive real rates lower, which would be a good catalyst for gold. Normally, it works the other way around. But markets are starting to believe that the Fed is committed to running the economy hot. And as inflation moves higher, it is unlikely that we'll see a big pick up in yields, which is good for gold.

Crude oil gains sharply in April on optimistic demand outlook.

Crude oil prices rallied sharply with WTI gaining 7.4% and MCX prices surging by 7.7% in April. In the first week of April, crude oil prices tumbled following **OPEC+'s unexpected decision to reverse its output cuts gradually over the summer months, by adding 350,000 BPD in May, another 350,000 BPD in June, and further 450,000 BPD in July.**

However, the pessimism did not last long as it was taken as a sign of increased demand in the coming months with **OPEC+ estimating global oil demand in 2021 to rebound by a robust 6 million BPD, after falling 9.5 million BPD last year. Additionally, International Energy Agency (IEA) predicted global oil demand and supply were set to rebalance in the second half of the year and raised its global oil demand forecast by 230,000 BPD faster than previously estimated.**

The major concerns that bothered the oil markets were demand issues from India, the third-largest importer, amid rising COVID-19 cases. Also, a similar situation in Brazil and Japan weighed on the counter. On the supply front, the Possibility of additional 2 million barrels entering the market in the near term increased as Iranian President Hassan Rouhani reportedly saying that high-level talks in Vienna aimed at bringing the US back into the 2015 nuclear deal with Iran have already resolved 60-70% of the key issues. This has not been confirmed by the US though.

Oil prices are likely to gain further in May, although at a slower pace owing to higher gasoline consumption to meet summer driving season demand. Also, robust demand estimates by major oil agencies amid a steady recovery in the top 2 consumers, the US and China may keep the optimism high. However, the lingering COVID-19 pandemic remains a major cause of uncertainty in the global markets and may limit upside in crude oil prices.

A long way to go in the rally of the Industrial Metals

It was one of the best months for industrial metals on the MCX & LME too. A surge in infrastructure spending in industrialized countries, a weak dollar, and strong demand in China boosted the price of the red metal to over $10,000 per tonne. All eyes are on an all-time high of $10,190 which was hit in 2011.

As the global economy starts to shake off the impacts of the Covid-19 epidemic and makers of electric cars and renewable energy systems clamor for the red metal, Chile stands to gain handsomely.

China is the world's biggest copper consumer and imports of unwrought metal rose 11.7% in the first quarter of this year compared to the same period in 2020, while imports of ores and concentrates have risen 7.7%, according to Chinese customs data.
Nickel rose on rising exports from the Philippines. China first turned to the Philippines for nickel ore in 2014, when Indonesia rolled out an export ban. That year, the Philippines accounted for 76% of China's imported supply of the raw material, rising to 97% in 2015 and 96% in 2016, sufficiently filling the gap created by Indonesia and becoming China's largest supplier.

Yet its import share of Philippines nickel ore has fallen since 2017 when Indonesia relaxed its export ban and allowed some low-grade nickel ore to ship abroad on quotas. After Indonesia reinstated nickel ore exports in January 2020, China's import share from the Philippines rebounded to 82% during the year. China's growing demand for a nickel could boost price in the coming month too. We also expect the sentiment in other industrial metals to remain positive.

Currency Outlook

USDINR to depreciate on lingering COVID-19 uncertainty.

Volatility in Rupee spot that started in March 2021 extended to April 2021. Indian Rupee spot closed the month with a depreciation of 1.3% hurt largely by the second wave of COVID-19 infections in India.

Still, the Rupee spot touched a ten-month low of 75.33 against the dollar as a devastating surge in COVID-19 infections derailed the path to a smooth economic recovery. As per the latest data from Union Healthy Ministry, India's single-day spike in new COVID-19 cases surged to over 4 lakh cases by the end of April while the number of active cases too went upwards to breach the 32 lakh mark compared to 14-lakh in mid-April.

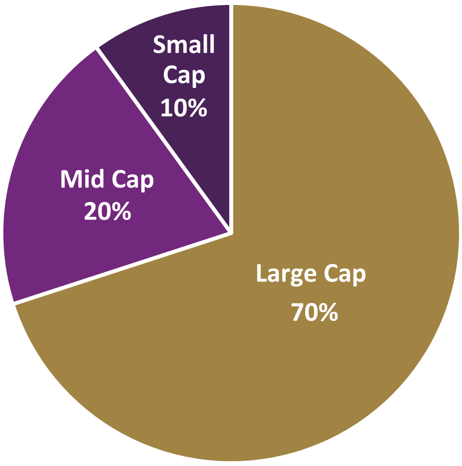
Further, foreign fund outflows added to the domestic woes as FIIs turned net sellers to the tune of over Rs 9,600 crore in April 2021 following robust buying in the previous six months. Additionally, a rally in crude oil prices by 8% owing to optimistic demand forecast by IEA and OPEC coupled with the upcoming summer driving season weighed further on the domestic currency.

Weakness in the Dollar index by more than 2% did not provide much support either to the Indian currency. The dollar slipped as US Federal Reserve officials reiterated that any spike in inflation was likely to be transitory, pressurizing US 10Y treasury yields which slipped from 15 months high of 1.776% at the end of March 2021 to 1.62% in April. Also, Federal Reserve Chair Jerome Powell put investor fears of any near-term tapering to rest by stating the economy is far away from the Fed's goal and is likely to take some time for substantial further progress to be achieved.

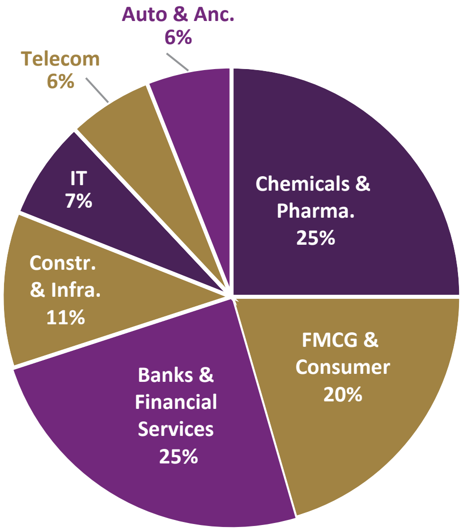
We expect the Rupee spot to depreciate further towards 74.5 – 75 levels in May as the majority of Indian states decided to postpone their COVID-19 vaccination from May 1 for all above 18 owing to supply and procurement issues. Also, impending Rs.75,000 crore auctions under the G-SAP may weigh on Rupee through global optimism on massive stimulus package announced recently by Joe Biden may limit sharp downside.

Model Portfolio

Market Cap. wise Allocation (Conservative Portfolio)



Sector wise Allocation (Conservative Portfolio)



Portfolio Constituents

Large Cap	% Weight
HDFC Bank Ltd.	6.0%
Hindustan Unilever Ltd.	7.0%
HDFC Ltd.	6.0%
Bharti Airtel Ltd.	6.0%
HCL Technologies Ltd.	7.0%
Ultratech Cement Ltd.	6.0%
HDFC Life Insurance Ltd.	6.5%
Divi's Laboratories Ltd.	6.5%
SBI Cards And Payment Services Ltd.	6.0%
Hero MotoCorp Ltd.	6.0%
Tata Consumer Products Ltd.	7.0%

Portfolio Constituents

Mid Cap	% Weight
AartiIndustries Ltd.	7.0%
Vinati Organics Ltd.	6.5%
Crompton Greaves Consumer Electricals Ltd.	6.5%

Small Cap	% Weight
Hikal Ltd.	5.0%
KEC International Ltd.	5.0%

Source: Anand Rathi Internal Research.
Note: Basket / Portfolio is Equal-weight with a monthly rebalance strategy

Anand Rathi PMS

MNC Portfolio

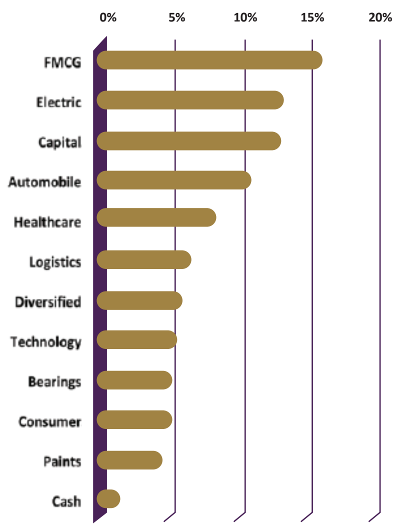
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how brought in by foreign partner/investor.

Strong Business model	MNC benefits from a) Innovation b) Strong R&D c) Advanced Technology d) Strong Brand/Product e) Economies of scale
Strong Corporate Governance	MNC's are generally rated high for their corporate governance standard. They depict high transparency and accountability with well laid out policies and regulatory framework, internal control and risk management
Healthy Balance Sheet	Most MNC's have a) Better operating ratios b) Zero Debt or Low debt /Equity c) Positive Free Cash flow d) Healthy Return ratio
Special opportunity	MNC companies sometime carries an additional trigger for value appreciation in form of corporate actions like open offers, Buybacks and Delisting etc. This usually add substantial appreciation to the share price enhancing investors ROI

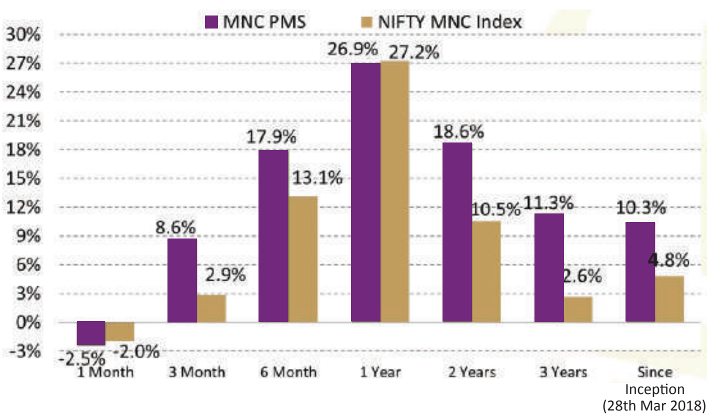
Top Holdings and Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Honeywell Automation India Ltd.	7.5%
2	KSB Ltd.	7.2%
3	Blue Dart Express Ltd.	6.3%
4	Hindustan Unilever Ltd.	6.1%
5	Grindwell Norton Ltd.	5.9%
6	Maruti Suzuki India Ltd.	5.8%
7	Siemens Ltd.	5.7%
8	Mphasis Ltd.	5.6%
9	SKF India Ltd.	5.3%
10	Coforge Ltd.	5.3%

Sector Allocation

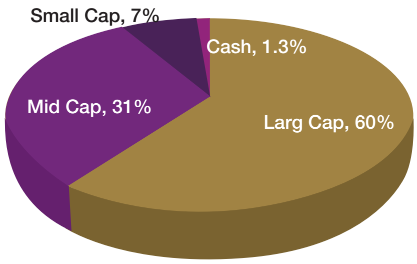


Performanceas on 30th Apr, 2021



Source: Anand Rathi Internal Research.
Note: Such representations are not indicative of future returns.

Market Cap Allocation



Data as on 30th April 2021

Anand Rathi PMS

Impress

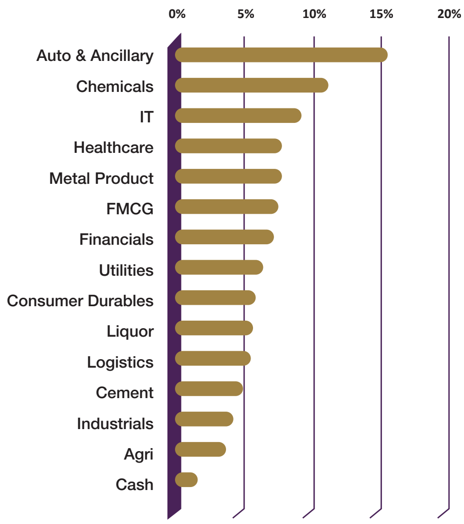
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

Business model	Improving Market Share, Leadership and Niche Market
Rising Enterprises	Stable and Improving Margin and Improving ROE and ROCE
Sustainability	Visibility of Earning Over Next 2-3 Years and Predictable Business Model
Sound Corporate Track Record	Management Background and Accounting & Corporate Policies

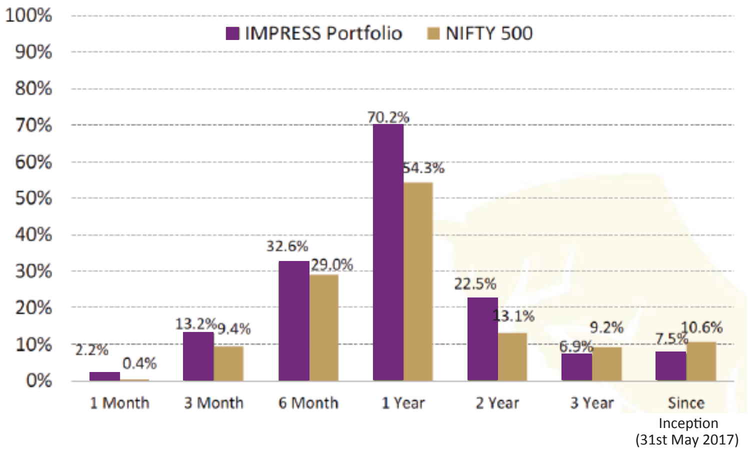
Top Holdings & Market Cap Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Ratnamani Metals & Tubes Ltd.	7.52%
2	Galaxy Surfactants Ltd.	7.47%
3	Tata Consumer Products Ltd.	7.32%
4	Somany Ceramics Ltd.	5.92%
5	Crompton Greaves Consumer Electricals Ltd.	5.54%
6	Ceat Ltd.	5.48%
7	TVS Motor Company Ltd.	5.31%
8	Radico Khaitan Ltd.	5.18%
9	Blue Dart Express Ltd.	5.08%
10	Aarti Industries Ltd.	4.81%

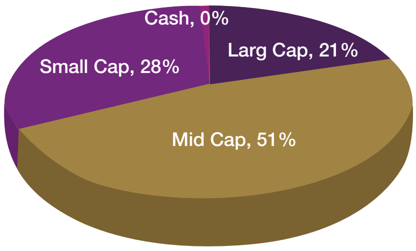
Sector Allocation



Performanceas on 30th Apr, 2021



Market Cap Allocation



Source: Anand Rathi Internal Research.
Note: Such representations are not indicative of future returns.

Data as on 30th April 2021

Technical Analysis

NIFTY:

Technically the index NIFTY has been consolidating since last couple of months. During the process; it found support at the short term 5 month's simple moving average and 20 week's simple moving average. The support lies near 14200 mark. Thus we maintain our stance that only a breach of 14200 could be disastrous for the markets which can drag the index towards 13700 mark. However that too will not change the larger picture unless 13600 is not taken down. On the upside; once the NIFTY closes above 14900 mark on a daily scale then we might travel towards new life highs. On the trigger front the only major development could be subsiding cases of Covid and rising vaccination numbers. On the derivative front; the rollovers have been extremely low and lower open interest which indicates indecisiveness. So far we advise traders to accumulate quality stocks in case of a major correction as the larger trend is still buy on dips.

BANKNIFTY:

The index NIFTY BANK too had a wild run during the previous month. It made a low near 30000 mark and recovered sharply near 33000 mark. Now we are witnessing a golden crossover of 50 SMA and 200 SMA on the weekly time frame of NIFTY BANK index which is a very bullish sign. Thus we are still of the opinion that unless the major supports are broken; chances of NIFTY BANK index outperforming is quiet high. If the index close above 34000 then it could possibly travel towards life time highs. On the downside 30000 could be a first decisive support. In case of breach of the same 29000 could be another great support as that is the placement of 200 DSMA. Even the NIFTY PSU BANK index has turned from a decisive support which adds more conviction to our bullish bias.

Technical Pick - BUY BAYERCROP LTD.

POTENTIAL UPSIDE 12.57%- 17.07%

- BAYERCROP is an agro chemical stock and has been in a strong uptrend since last year.
- Recently it corrected from the highs of 6500 and then has been consolidating since many months.
- The breakout displayed in weekly RSI indicates a possibility of fresh upside from here on. Traders are advised to buy the stock in the range of 5330 - 5230 with a stop loss of 4800 on closing basis for the upside potential target of 6000 followed by 6240 levels in coming months.
- On the weekly chart we are witnessing a double bottom formation near the demand zone of 4900. In addition there is a double bottom formation in weekly RSI too.

Purnartha
EQUITY RESEARCH AND INVESTMENT ADVISORY

Rahul Rathi
Chairman

Our overall extraordinaire -in-chief, Rahul Rathi has 15 years of investment and risk management experience gained from working with global investment institutions. His professional and personal legacy of creating phenomenal wealth in the stock market has inspired Purnartha's fundamental investment philosophy. Witha Master of Business Administration degree from Carnegie Mellon University, USA and a Polymer Engineering degree from the University of Pune, Rahul hasgroomed and led a qualified and experienced research team with a stellar performance track record.

Hemant Vispute
Managing Director

Hemant has a Masters in Computer Science, an MBA degree, and has worked with the likes of IBM Global Services and Hitachi Consulting. With over 20 years of experience in consulting, strategic planning, and operations, Hemant brings immense value to Purnartha's day to day functioning.

Raghu Sundaram
Co-Founder

An IIM graduate with a PhD from Cornell University, Raghu Sundaram is the Dean, New York University's Stern School of Business. He has worked with major Wall Street firms and possesses an incomparable background in derivatives and credit research, providing finesse to the equity research at Purnartha.

Investment Philosophy

Our investment approach is to build a broad-based investment portfolio of selected equities of companies based on our robust research process.

Typically, we hand-pick stocks of:

- Companies with the potential of volume growth across all cycles.
- Companies having owners' skin in the game.
- Companies that have a strong balance sheet.

We are market cap & sector agnostic organization, and typically create a "Multi-cap Portfolio" with high growth potential.

We at Purnartha, have full conviction in our investment philosophy and invest in the same securities that we recommend to our clients.

Research Process

History
We look at the operating history that shows performance including positive cash flows across business cycles.

Business Model
We analyse why the company does not depend upon large borrowing to grow its business (Excluding BFSI Sector).

Volume Growth
We identify the person responsible for the company's future & determine if their interests are aligned for growth.

Management Interaction
We would identify the person responsible for the company's future & find out if his interests are aligned for growth.

Channel Checks
Channel checks provide an insight into culture of the company.

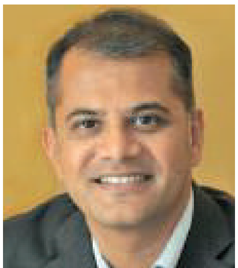
Valuation
We build a portfolio that is suitable, based on the internal valuation matrix.

About Marcellus

Marcellus Investment Managers was founded in 2018 and currently has c.US$300m in assets under management and advisory. The founders have worked together for the past 15 years.

Saurabh Mukherjea, CFA - Chief Investment Officer

- Former CEO of Ambit Capital assets under advisory were $800 mn
- Author of three bestselling books Gurus of Chaos 2014 The Unusual Billionaires 2016 and "Coffee Can Investing 2018
- Co founder of **Clear Capital,** a London based small cap equity research firm which he and co-founders created in 2003 and sold in 2008
- MSc in Economics from **London School of Economics**
- Member of SEBI's Asset Management Advisory Committee



Pramod Gubbi, CFA - Head of Sales

- Formerly, MD Head of Institutional Equities at Ambit Capital
- CEO of Ambit Singapore
- Tech analyst at Clear Capital and also worked in the tech industry HCL Technologies and Philips Semiconductors
- Post graduate in Management from IIM Ahmedabad
- B Tech from Regional Engineering College, Surathkal (NIT, Karnataka)

Rakshit Ranjan, CFA - Portfolio Manager

- Formerly, Portfolio manager of Ambit Capital 's Coffee Can PMS, which was one of India's top performing equity products during 2018
- Ambit's consumer research head, voted as No 1 for Discretionary Consumer and top 3 for Consumer Staples
- At Clear Capital ranked amongst the top 3 UK Insurance analysts
- B Tech from IIT (Delhi)

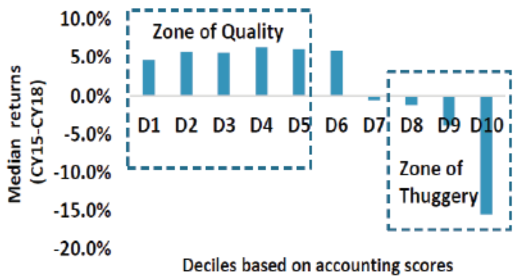
Key steps for identifying consistent compounders

Step 1: Identify companies with clean accounting

Ten forensic accounting checks used to identify naughty companies.

Category	Ratios
Income statement checks	1) Cashflow from operations (CFO) as % of EBITDA 2) Volatility in non operating income 3) Provisioning for doubtful debts as a proportion of debtors overdue for >6 months
Balance sheet checks	4) Yield on cash and cash equivalents 5) Contingent liabilities as % of Networth (for the latest available year) 6) Change in reserves explained by the profit / loss for the year and dividends
Auditor checks	7) Growth in auditor's remuneration to growth in revenues 8) Miscellaneous expenses as proportion of total revenues 9) CWIP to gross block
Cash theft checks	10) Free cash flow (cashflow from operations cashflow from investing) to median revenues

Strong correlation between accounting quality and shareholders' returns



Note: Returns above represent median of decile-wise median returns calculated for every year from CY15 (accounting scores based on FY15 financials) to CY18 (accounting scores based on FY18 financials).

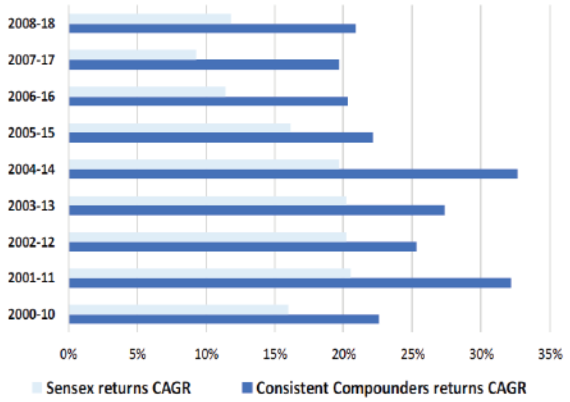
Methodology: We look at over six years of consolidated financials for the universe of firms. Wefirst rank stocks on each of the 10 ratios individually (outlined in the table on the left) These ranks are then cumulated across parameters to give a final pecking order on accounting quality for stocks.

This framework draws upon Howard Schilit's legendary text on forensic accounting, "Financial Shenanigans".

Step 2: Identify companies with superior capital Allocation

We create a list of stocks using a twin-filter criteria of double digit YoY revenue growth and return on capital being in excess of cost of capital, each year for 10 years in a row.

Next, we build a portfolio of such stocks each year and hold each of these annual iterations of portfolios for the subsequent 10 years (without any churn). The bar chart on the right shows the back testing performance of such a filter based portfolio.



Source: Bloomberg. Note: Only the Consistent Compounder Portfolios which have finished their 10 year run have been shown. Note: These are total shareholder returns in INR terms.

There are two conclusions from this exercise:

- This filter based portfolio delivers returns of 20-30% p.a. (of INR returns) and 8-12% out-performance relative to the Sensex.
- The volatility of returns of such portfolios, for holding periods longer than 3 years, is similar to that of a Government of India Bond.

Returns here (both for our portfolio and for the Sensex) are on a Total Shareholder Return basis i.e. all dividends are included in the returns.

step 3: Identify companies with high barriers to entry

In depth bottom up research of companies which pass our filters to assess sustainable competitive moats and build a portfolio of 10 15 stocks which consistently compound earnings

What do we look for in our research?

- Look for managements with an obsessive focus on the core franchise instead of being distracted by short term gambles outside the core segment
- Look for companies which relentlessly deepen their competitive moats over time
- Look for promoters who are sensible about capital allocation, i.e. refrain from large bets (especially those outside core franchise) and return excess cash to shareholders

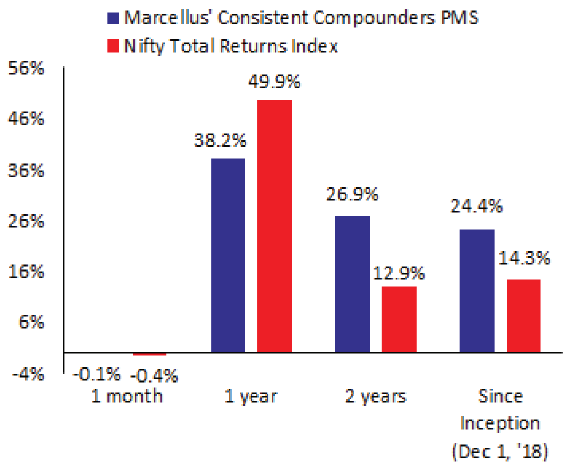
"Most companies tend to focus on short term results and hence that makes them frequently do things that deviate away from their articulated strategy these diversions take them away from the path they have to travel to achieve their long term goals" - **Rama Bijapurkar**
Leading market strategy consultant

In Most Sectors, the top 1- 2 Companies Account for 80% of the Profit Pie

Sector	Top 2-3 players Accounting for 70-80% of the Profit Pie
Paints	Asian Paints, Berger Paints
Small cars	Maruti Suzuki, Hyundai
Biscuits	Britannia, Parle
Cigarettes	ITC
Adhesives	Pidilite
Cooking oil	Marico, Adani
Hair oil	Marico, Bajaj Corp

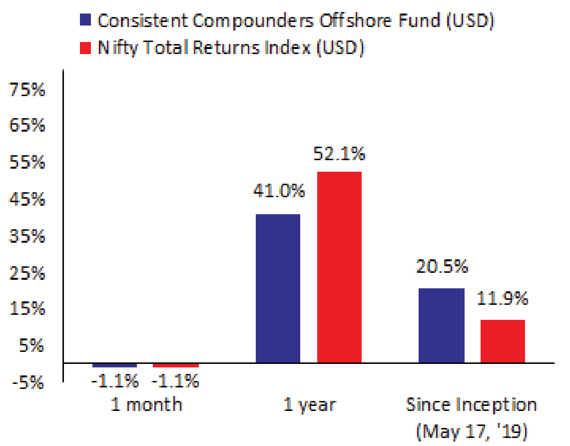
Fund performance (as on 30th April '2021)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 30th April'21 (INR)



Source: Marcellus, Bloomberg; All returns are net of fees and expenses (TWRR); 2 years and since inception returns are annualised; Other time period returns are absolute

Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus - as on 30th April'21 (US$)



Source: Marcellus; All returns are net of fees and expenses (TWRR); Since inception returns are annualised; Other time period returns are absolute

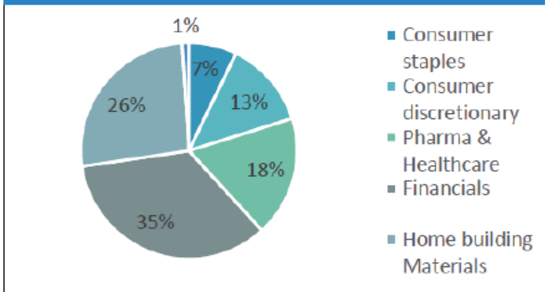
CCP FACTSHEET (1/2)

Fund Details	
Strategy Name	Consistent Compounders
Fund Manager	Rakshit Ranjan, CFA
AUM In INR Crs	3,563
Category	Large Cap
Benchmark	Nifty50 Total Return Index

Top 5 Holdings (accounts for ~50% of allocation)	
Asian Paints	Home Building Materials
HDFC Bank	Financials
Bajaj Finance	Financials
Pidilite Industries	Home Building Materials
HDFC Life	Financials

Market-Cap Wise Allocation	
Large-Cap	79%
Mid-Cap	20%
Cash	1%

Sector Wise Allocation



Portfolio Metrics	
Wtd. Avg. Market Cap (INR Cr.)	2,11,305
Portfolio P/E (FY20)	78.03x
Dividend Yield	0.86%
Churn Ratio (since inception)	20%
Std Deviation (12 month rolling)	11.72%
Sharpe Ratio (12 month rolling)	1.58

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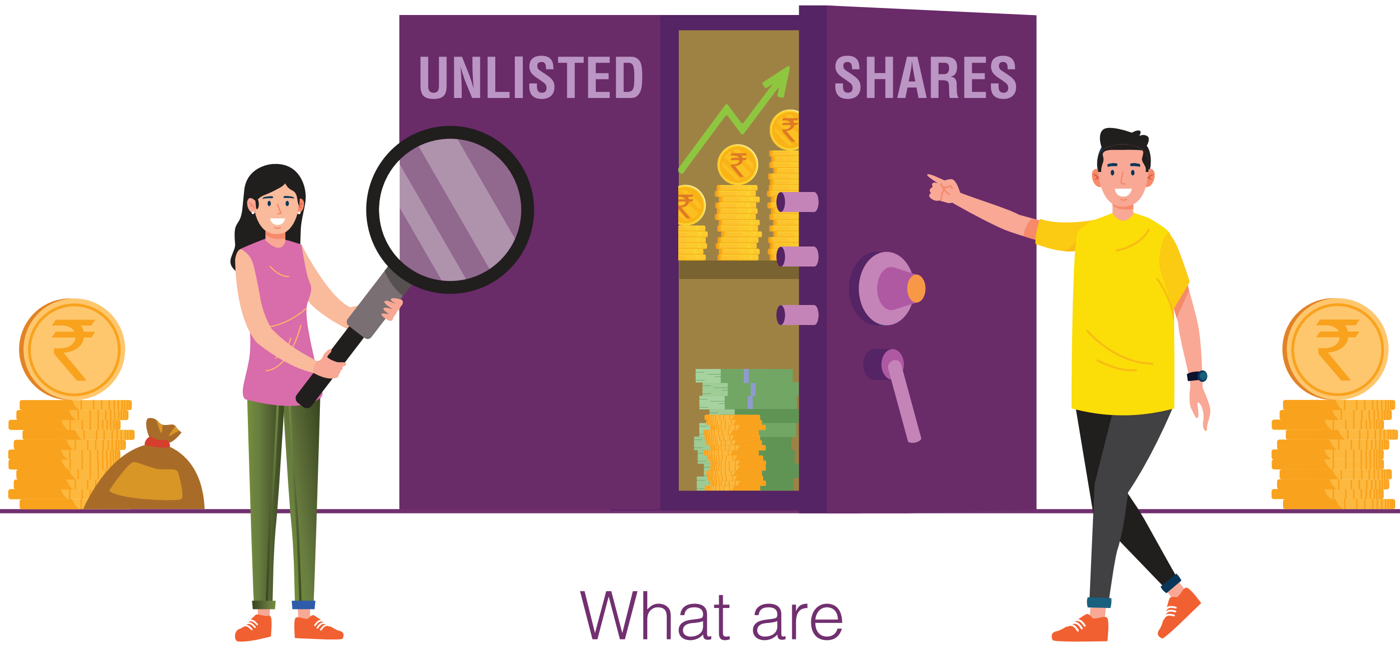

What are
Unlisted Shares*?

Unlisted shares is a financial instrument that is not traded on a formal exchange, Trading of unlisted shares is done in over-the-counter (OTC).

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May 2021

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INVESTMENT SERVICES

The Investments recommended in News letter / research reports, may not be suitable for all investors. Investors must make their own investment decisions based on their own specific investment objectives and financial position and using such independent professional advisors as they believe necessary.

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